

1401 Main Street, Suite 900  
Columbia, SC 29201



Phone: (803) 737-0800  
www.regulatorystaff.sc.gov

March 30, 2018

**VIA ELECTRONIC FILING**

Jocelyn G. Boyd, Esquire  
Chief Clerk & Administrator  
Public Service Commission of South Carolina  
101 Executive Center Drive, Suite 100  
Columbia, South Carolina 29210

**Re: Office of Regulatory Staff's Petition for an Order Requiring Utilities to Report the Impact of the Tax Cuts and Jobs Act (the "Tax Act")**  
**Docket No. 2017-381-A**

Dear Ms. Boyd:

ORS requests that the Commission issue an order in the above-referenced docket establishing that the effective date for the implementation of the Tax Cuts and Jobs Act ("Tax Act") is January 1, 2018. On December 28, 2017, the Office of Regulatory Staff ("ORS") filed a Petition requesting the impacts of the Tax Act be examined and requested the Commission's Order "state the rates in effect on January 1, 2018 be subject to refund such that the ratepayers receive the benefit of the tax changes due to the Act." The Commission issued Order No. 2018-26 on January 10, 2018, which did not provide a decision on the effective date of the Tax Act on regulated utilities under the Commission jurisdiction.

On March 7, 2018, Office of Regulatory Staff ("ORS") submitted its recommendations to address the impacts of the Tax Act.<sup>1</sup> For natural gas utilities, ORS recommended that the issue be addressed in the next South Carolina Natural Gas Rate Stabilization Act ("RSA") proceedings. For the electric utilities, ORS recommended the issue be addressed in the next rate case or a proceeding setting new rates, and generally recommended a similar treatment for water and sewer utilities with operating revenues that are equal to or greater than \$250,000.

Specifically, for natural gas and electric utilities, ORS recommended the Commission require the utility to begin deferring for future ratemaking treatment all revenue requirement benefits of the Tax Act from January 1, 2018, until the effective date of new rates. In addition, the utility should calculate the excess deferred tax reserve caused by the reduction in the federal corporate income tax rate and recognize as a deferred liability the estimated reduction of the utilities revenue requirement resulting from the Tax Act. The utilities should calculate and defer any other tax effects resulting from the Tax Act on revenues that are known and reasonable interest accrue on the amount reflected in the regulatory liability account.

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<sup>1</sup> Commission Order Nos. 2018-75 and 2018-76 deferred action until the Commission received ORS's recommendation.

March 30, 2018

Page 2 of 2

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ORS made these recommendations and others to the Commission to efficiently address the impacts of the Tax Act on regulated utilities and their customers and with the understanding the savings to the ratepayers related to the federal income tax rate decrease from 35% to 21% should accrue from January 1, 2018, the effective date of the new tax rate. ORS's recommendations are predicated on the basis that ratepayers should be afforded the benefits of the Tax Act effective January 1, 2018. It is critical to ensure the savings from the Tax Act be timely passed back to the ratepayers, since ratepayers are required to pay through their rates the tax expenses of a utility.

ORS requests the Commission issue an order to establish the effective date for implementation of the Tax Act is January 1, 2018, that rates in effect on January 1, 2018, may be subject to a refund<sup>2</sup> such that the ratepayers receive the benefit of the tax changes and require the utilities to report by no later than May 31, 2018, the estimated tax savings and when and how the utility will pass those savings to the ratepayer.

For the three largest investor-owned electric utilities, the Commission should give serious consideration to the three-step process utilized by the Michigan Public Service Commission to provide customers the savings in an accelerated manner.<sup>3</sup>

Thank you for your consideration of this request.

Yours Truly,



Nanette S. Edwards

cc: Parties of Record (via E-mail & U.S. Mail)  
Joseph Melchers, Esquire (via E-mail)

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<sup>2</sup> The refund would be applied prospectively.

<sup>3</sup> In the matter, on the Commission's own motion, to consider changes in the rates of all of the following Michigan rate-regulated electric, steam, and natural gas utilities to reflect the effects of the federal Tax Cuts and Jobs Act of 2017: ALPENA POWER COMPANY, CONSUMERS ENERGY COMPANY, DETROIT THERMAL, LLC, DTE ELECTRIC COMPANY, DTE GAS COMPANY, INDIANA MICHIGAN POWER COMPANY, WISCONSIN, UPPER PENINSULA POWER COMPANY, UPPER MICHIGAN ENERGY RESOURCES CORPORATION, WISCONSIN ELECTRIC POWER COMPANY, PRESQUE ISLE ELECTRIC & GAS CO-OP, MICHIGAN GAS UTILITIES CORPORATION, and SEMCO ENERGY GAS COMPANY, Case No. U-18494 (Feb. 22, 2018)